

TREASURY COMMENTARY – 15 OCTOBER 2019

LOCAL MARKET

MONEY

Overnight call-money traded at 7.45% - 7.50% on Monday. Net market liquidity with the Central Bank was a Surplus of Rs.1.84 Bn on Monday from a Surplus of Rs.7.25 Bn on Friday.

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)

AS AT 14.10.2019

Cash	-
Tom	3.30
Spot	37.85
Forwards	26.50

MARKET LEVELS

Cash	180.45/181.45
Spot	180.50/181.50

INTERNATIONAL MARKET

FOREX

The dollar hovered below 2-1/2-month highs against the yen on Tuesday, failing to extend recent gains as optimism over trade negotiations between the world's two largest economies and for an orderly British exit from the European Union started to fade.

In early Asian trade, the dollar was steady at 108.35 against the yen, still not far from its 2-1/2-month high of 108.63 yen marked on Friday.

The euro also stood flat at \$1.1026 versus the greenback, off Friday's three-week high of \$1.1062.

Although markets initially welcomed the "Phase 1" trade deal between the United States and China that President Donald Trump outlined last week, a lack of details kept many investors cautious.

Sterling slipped from a three-month high touched on Friday as last week's euphoria gave way to doubts over whether a timely Brexit deal could be clinched. The pound was last quoted at \$1.2604 versus the dollar, little changed on the day.

A deal to smooth Britain's departure from the EU hung in the balance on Monday after diplomats indicated the bloc wanted more concessions from Prime Minister Boris Johnson and said a full agreement was unlikely this week.

Johnson says he wants to strike an exit deal at an EU summit on Thursday and Friday to allow an orderly departure on Oct. 31. If an agreement is not possible, he says he will lead the United Kingdom out of the club it joined in 1973 without a deal - even though parliament has passed a law saying he cannot do so.

COMMODITIES

Gold prices held steady below the \$1,500 per ounce level on Tuesday as markets braced for talks between Britain and the European Union that will determine how smooth Britain's departure will be from the trading bloc. Oil prices dropped again on Tuesday after falling heavily in the previous session, as weak Chinese economic data for September added to lingering concerns about the feasibility of the U.S.-China trade deal announced by President Trump late last week.

ECONOMIC INDICATORS

T/BILL RATES % (W. Av. Last Auction)

3 Months	7.58
6 Months	7.73
12 Months	8.41

T/BOND RATES % (W. Av. Market rates)

2 Year	8.65
3Year	9.20
4 Year	9.62
5 Year	10.05
6 Year	10.20
7 Year	10.30
8 Year	10.40

LIBOR

	USD	EUR	JPY	GBP
1 Month	1.91	(0.51)	(0.10)	0.71
3 Months	2.00	(0.44)	(0.11)	0.78
6 Months	1.97	(0.41)	(0.05)	0.85
12 Months	1.95	(0.34)	0.01	0.94

SLIBOR (14/10/2019)

Overnight	7.49%
1 Week	7.55%
1 Month	7.78%
3 Months	8.43%
6 Months	9.61%

AWPLR %

Week ending 11/10	10.48
Week ago	10.46
Year ago	11.86

AWDR %

Sep 2019	8.51
Aug 2019	8.73
Year ago	8.69

INFLATION (%)

	July 2019	August 2019	September 2019	Year ago
NCPI (YoY)	2.2	3.4	-	2.5
CCPI (YoY)	3.3	3.4	5.0	4.3
(12M W.Av)	4.0	3.8	3.9	5.4

TREASURY DIVISION

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